

TESTIMONY OF
SANDOR SAMUELS OF
COUNTRYWIDE FINANCIAL CORPORATION
Before the
HOUSE FINANCIAL SERVICES COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES

November 2, 2007

Chairman Frank, Ranking Member Bachus, and Members of the House Financial Services Committee, my name is Sandy Samuels, Executive Managing Director of Countrywide Financial Corporation (“Countrywide”). Countrywide appreciates having this opportunity to update the committee on our efforts to prevent foreclosures and preserve homeownership for borrowers facing financial difficulties in today’s housing and mortgage markets. Our company has been a consistent and longstanding leader in developing innovative approaches to what used to be called “loss mitigation.” That history is reflected in a series of syndicated newspaper articles from the summer of 2000 that are attached as part of this testimony. Those early efforts have evolved into an entire “Home Retention” division dedicated to finding affordable, long-term solutions for families facing foreclosure. This perspective serves as a testament to the experience and commitment that Countrywide brings to bear in addressing the current issues facing borrowers and servicers.

Experience tells us that successful efforts to avoid foreclosure are the result of partnerships. One of the most essential partnerships is between the borrower and the

servicer. You have heard the statistic from a Freddie Mac study that estimated that as many as 50% of borrowers that lose a home to foreclosure never responded to lender efforts to contact them. That statistic suggests that one of our most important objectives in addressing current market conditions is to reduce this “No Contact” percentage. Industry and government are working together – through home preservation summits around the country, individual lender/non profit partnerships, and through industry initiatives like the HOPE NOW alliance – to get the message out to “call your lender” or “call a non-profit counseling agency.” We need to continue to work together to build the capacity in non-profit counseling agency ranks and to improve the interaction – the “handoff” – between the non-profit counselors and the servicers.

If we are successful, borrowers that call either their lender or a counseling agency will find that servicers today have more tools than ever before to assist borrowers experiencing hardships. We encourage our borrowers to call us the very first time they anticipate problems with sending in the mortgage payment and to provide us a good sense of their ongoing financial capabilities. With this type of information, we can work with the borrower and offer real solutions that are good for families in need, our communities, and the investors who supply the critically important liquidity to our mortgage market.

Countrywide’s Comprehensive Home Preservation Efforts

Working to Reach Borrowers

Countrywide recognizes that it takes more than encouragement to forge a partnership with borrowers, particularly when times are tough for them. We recently announced a dramatic expansion of our foreclosure prevention efforts – a \$16 billion home

preservation program to assist as many as 82,000 Countrywide customers with affordable refinance and loan modification options. Countrywide will deploy dedicated teams to contact customers who are approaching or have had a rate reset to determine the customers' financial circumstances and inform them about refinance and other home preservation options. In essence, the program targets three categories of borrowers:

- For those currently in a subprime loan with a strong payment history, Countrywide will work to refinance them into prime or FHA loans. We have a strong record of successfully transitioning borrowers from subprime products to prime loans and estimate refinancing approximately \$10 billion in mortgage loans through this part of the program.
- Countrywide also will identify and contact prime and subprime borrowers who are current in their payments but unable to qualify for a refinance (due to credit issues and/or declining property valuations), and may have difficulty affording an upcoming reset. With this new program, Countrywide will contact these borrowers at least 90 days before the reset to determine their financial circumstances and develop a long-term, affordable home retention plan. We anticipate modifying another \$4 billion in loans through the end of 2008 through this part of the program.
- The third and final part of the home preservation program seeks to help subprime borrowers who are delinquent and experiencing financial difficulties as a result of a recent reset. It is anticipated that these borrowers would obtain modifications on loans totaling \$2.2 billion by year-end.

It is important to note that this initiative does not operate in isolation. In fact, it is part of our ongoing efforts to identify and improve existing programs that assist our customers. The recent announcement represents a further extension of our robust home preservation program and investments in borrower outreach. These home retention outreach efforts create channels for the necessary dialogue between borrowers and servicers to occur and include:

- **Capacity:** Countrywide has expanded its capacity to contact and be contacted by borrowers. During 2007, we increased the number of employees in our Home Retention Division from 2,000 to 2,700 dedicated professionals focused on all aspects of homeownership preservation. As part of this effort, we deploy a team of specialists that not only operate within Countrywide, but also travel to our local financial centers around the country to meet personally with borrowers who need help. Looking forward, total operational spending in the home retention function is expected to grow by more than 45% between 2006 and 2008. This growth will provide additional capacity to meet anticipated challenges in 2008.
- **Communication:** We include helpful information in borrowers' monthly statements and repeatedly attempt to reach our borrowers by phone and by mail. In addition to the statutorily required 45-day ARM payment change notice, Countrywide provides notices 180-days and 90-days prior to the reset reminding borrowers of an upcoming rate and payment adjustment. The notice provides an estimate of the rate and payment changes, based on current interest rates, and encourages them to call Countrywide or a non-profit counseling

agency if they anticipate difficulty affording the payment increase. In addition, in September alone, our Home Retention Division:

- made almost 9 million call attempts to reach delinquent borrowers;
- had nearly one million phone conversations with borrowers about their payment difficulties; and
- mailed over 700,000 personal letters and cards to borrowers offering them the choice to contact Countrywide or a HUD-approved or nonprofit housing organization.

For those borrowers who are not responsive to our outreach by mail and phone, we try additional methods such as providing them with a DVD that they can view in the privacy of their own homes that explains possible repayment options. Countrywide also sends brochures (available in English and Spanish) entitled “Keeping the dream of homeownership: Solutions for the times when hardship makes it difficult to meet a monthly home loan payment” (attached). Those brochures include a toll-free number for borrowers (1-800-661-9917) to initiate contact with our HOPE specialists, as well as the toll free Homeownership Preservation Foundation number.

- **Outreach:** Countrywide also reaches borrowers by hosting homeownership preservation seminars in local communities. These seminars are designed to bring together lenders and housing counselors to inform our borrowers and the general public on the options available to avoid foreclosure. Countrywide has also hosted numerous “train-the-trainer” sessions around the country to help improve the ability of non-profit agencies to connect and communicate with

loan servicers. We have held these borrower seminars and training sessions in cities across the country (a complete listing is attached), and we plan to expand these efforts in 2008.

- **Education:** Countrywide also can help borrowers preserve their homes and avoid foreclosure by helping them to become better informed. That is one reason why Countrywide launched its Home Ownership Mortgage Education (H.O.M.E.) web site at www.HomeByCountrywide.com . On this site, current and potential borrowers can obtain important information to enhance their financial literacy and capacity to make solid choices for themselves and their families.

Partnering with Others to Help Borrowers

Partnerships with nonprofit organizations are critically important to our efforts to assist borrowers facing foreclosure. Despite our best efforts to reach borrowers, Countrywide understands that third parties can be a key to making progress and avoiding foreclosures. Again, we have a foundation of working with such organizations and recently have built upon that platform by entering into a groundbreaking partnership with the Neighborhood Assistance Corporation of America (“NACA”). The NACA/Countrywide partnership leverages Countrywide’s market leading home retention programs and NACA’s unique model for counseling borrowers.

Just as we seek to have a comprehensive array of approaches and solutions for the variety of situations our borrowers present, NACA employs a comprehensive and methodical Home Save approach to counseling and budgeting that has produced immediate results for borrowers and their families. Homeowners will have a

“waterfall” of options ranging from payment plans to modifications to restructurings. We also believe that this partnership can serve as a model for us and others as we seek to serve additional borrowers. A summary of the NACA agreement describing this unique fee-for-service arrangement, the counseling and budgeting program, and Home Save Solution options will be provided to the Committee under separate cover.

While our work with a nonprofit organization like NACA is new in terms of its broad scope, it also is consistent with other elements of Countrywide’s home preservation “investment” strategy, such as:

- Countrywide is a founding sponsor of the Homeownership Preservation Foundation’s (“HPF”) HOPE initiative, a national foreclosure prevention counseling program that assists borrowers in all markets, every day with its 1-888-895-HOPE hotline. Borrowers are often bombarded with foreclosure rescue scams and other solicitations directing them to untrained counselors or untrustworthy organizations. The HOPE hotline provides borrowers with qualified and highly trained counselors whose sole mission is to help borrowers avoid foreclosure.
- We provide free access to counseling, including third party counseling from community organizations like Neighborhood Housing Service, ACORN Housing, and Consumer Credit Counseling Service. Countrywide is a sponsor and active member of the NeighborWorks Foreclosure Solutions Center. Across the country, Countrywide works with more than 40 different counseling organizations.

- Our efforts have included co-branding joint communication letters and advertisements encouraging the borrowers to contact either Countrywide directly or to work with a third party counselor who can assist them through the process. We augment this written outreach with local counselors who make ‘face-to-face’ contact with the borrowers, inviting them to work with us. To support the efforts of the many local counseling agencies around the country, we have established a dedicated contact system (via phone and email) that allows the counseling agencies working with our borrowers to quickly and directly contact Countrywide’s Home Retention Division specialists and identify what we can do to assist our borrowers.

We also have joined with others in the industry to help borrowers avoid foreclosure. For example, Countrywide has joined HOPE NOW, an alliance of mortgage servicers, non-profit counseling agencies, investors and other mortgage market participants formed with the encouragement of the Department of Treasury and the Department of Housing and Urban Development. The first deliverable of that alliance is a major mailing initiative targeting hard-to-contact borrowers and encouraging them to call their lender or a non-profit counseling agency to seek assistance. Research shows that borrowers have a much higher response rate to a mailing from an “impartial” organization (like the HOPE NOW Alliance) than to one from their creditors. As efforts progress, HOPE NOW also will be a vehicle that will help to establish best practices and improve the processes by which borrowers, counselors, servicers, and investors complete the steps necessary to advance their shared interest in foreclosure avoidance. With a shared understanding of counselor, servicer and investor needs, standardized practices,

and a rules-based approach, the industry will bring additional scale and efficiency to our homeownership preservation efforts.

Countrywide's Home Retention Track Record

Countrywide's investments and foreclosure prevention initiatives are producing results that help borrowers avoid foreclosure and preserve their homes. In addition to a refinance into new loan, there are four broad categories of home retention solutions:

- **Repayment Plan:** An agreement between the borrower and lender outlining how to handle missed payments. Generally, these agreements require higher payments than the regular amount for a short period of time until the loan is brought current.
- **Special Forbearance:** A specified period of time (usually 3 to 6 months) that allows borrowers to make either lower payments or no payments at all. It is usually the case that later payments will be higher than the original monthly home loan payment until the loan is brought current.
- **Loan Modification:** Changes to one or more of the key terms of a home that will bring a defaulted loan current. Modifications might include: reducing the interest rate of the loan and/or changing the loan product (for example from an adjustable rate to a fixed rate), reducing the principal balance, or extending the maturity.

In addition, there are foreclosure avoidance transactions that, unfortunately, result in the loss of a home:

- **Short Sale:** If the borrower is willing to sell the home in order to avoid foreclosure, it is possible that the sale can be approved even if the home is worth less than what is owed on it.

- Deed-in-Lieu of Foreclosure: This takes place when a borrower voluntarily gives the deed to the property to the lender.

Through the first nine months of 2007, Countrywide has refinanced more than 31,000 subprime borrowers into prime fixed rate loans. In addition, Countrywide has helped nearly 40,000 borrowers stay in their homes through loan modifications, repayment plans and other home retention solutions. This includes the completion of over 20,000 loan modifications. It is important to note that market conditions are driving more home retention solutions into the loan modification category. In September, 2007, loan modifications accounted for more than 60% of our completed workouts, compared to 28% of all workouts in 2006. With our recent initiatives to reach borrowers even earlier, and our partnerships with groups such as NACA, we expect the pace of workouts and the proportion of loan modifications to continue to grow. In short, borrowers are being helped with concrete, long-term solutions.

Countrywide believes that it is taking the right steps to reach the right borrowers at the right time. Countrywide has found ways to direct its resources effectively and efficiently toward those who are reasonably likely to have significant problems without help and will continue to look for more as circumstances warrant. As noted above, we have expanded our internal capabilities through hiring more Home Retention Division team specialists and are devoting more financial resources to our home retention efforts. To extend its reach and capacity to help at-risk borrowers, Countrywide supports longstanding partnerships with nonprofit, community-based organizations and is creating new ones.

By being proactive through its \$16 billion home preservation program in proactively contacting designated categories of borrowers and being poised to respond efficiently to borrowers, whether they reach us through NACA, our direct outreach, or another partner or borrower representative, Countrywide is using targeted and transparent methods that enable it to appropriately scale its efforts to help borrowers and fulfill its servicing obligations. These methods allow us to develop more streamlined and effective ways to conduct the necessary individual case analyses and complete transactions. By the same token, Countrywide readily acknowledges that these are dynamic times and that additional initiatives may be needed on our part as events unfold.

Countrywide is taking comprehensive and concrete steps to help borrowers preserve their homes and to avoid foreclosure. We have increased our capacity internally and through relationships with others in the industry and in the nonprofit sector. Countrywide is taking steps on its own like the \$16 billion home preservation program and in concert with others like our partnership with NACA and through HOPE NOW to make sure that help gets to those borrowers who can be helped. Countrywide has a history of working hard in this arena of foreclosure prevention and remains committed to finding effective ways to serve our borrowers and to meet our obligations as a lender and servicer.

CFC Sponsored Homeownership Retention Seminars

Memphis, TN
Columbus, OH
Nelsonville, OH
Cincinnati, OH
Toledo, OH
Cleveland, OH
Dallas, TX
DeSoto, TX
Plano, TX
New York, NY
Dover, DE
Seaford, DE
Atlanta, GA
Fresno, CA
Las Vegas, NV
Minneapolis, MN
St. Paul, MN
Los Angeles, CA
Oakland, CA
Cleveland, OH
Philadelphia, PA
Charlotte, NC
New Orleans, LA
Ventura, CA
Anaheim, CA
Phoenix, AZ
Vineland, NJ
East Orange, NJ

Countrywide's Default and Home Retention Statistics

September 30, 2007

Delinquency and Foreclosure Data

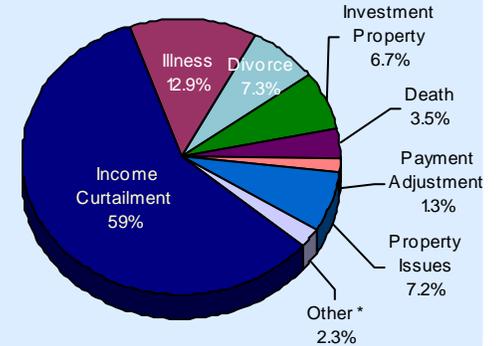
	Sep. 30, 2006	Sep. 30, 2007
Delinquencies as a percent of:		
Unpaid principal balance	4.04%	5.85%
Number of loans serviced	4.50%	5.87%
Foreclosures pending as a percentage of:		
Unpaid principal balance	0.51%	1.27%
Number of loans serviced	0.52%	0.92%

Credit Losses absorbed by Countrywide as of June 30, 2007 (not including losses incurred by investors)	\$594 million
Operational Spending in Loss Mitigation Areas: (2007 est.)	\$152 million

Reasons for Foreclosures

As of September 30, 2007

(Includes Conventional, Government, Subprime and HELOC CHL loans)



* Other includes: incarceration, fraud, utility costs and military

Workout Efforts

(home retention efforts year-to-date: 39,283 loans totaling \$4.9 billion)

Ending September 30, 2007

	September Info		Year-to-Date	
	Count	%	Count	%
Loan Modifications	3,227	60.5%	20,490	45.23%
Long-term Repayment Plans	526	10.1%	9,102	20.09%
Special Forbearance	497	9.3%	3,430	7.57%
Partial Claims	142	2.7%	1,421	3.14%
Other Workout Efforts	631	4.5%	4,840	10.68%
Total Home Retention Efforts	5,023	87.2%	39,283	86.7%
Short Sales	605	11.3%	5,254	11.60%
Deeds-in-Lieu	81	1.5%	764	1.69%
Total Workouts	5,709	100%	45,301	100%

Quick Facts

- By the time 2/28 loans reset, 70% of borrowers have paid off the loan (sold the property or refinanced)
- Stated income loans account for only 1.6% of foreclosures
- More than 60% of the loans that enter foreclosure will not have suffered a completed foreclosure 12 months later.
- By the time that the foreclosure has occurred, 40% of the homeowners have left the property
- Countrywide works with more than 40 HUD-approved counseling agencies across the country
- During the entire the history of Countrywide's loan production activities, less than 1 percent of our total loan production resulted in completed foreclosures.
- Nearly half of the borrowers with loans that completed the foreclosure process in June 2007 paid less than 12 payments on their loans. Almost half of those made three payments or less.

September Results

In the month of September alone, the home retention division has:

- had nearly one million direct collections and workout conversations with borrowers
- made 8.9 million attempts to reach delinquent borrowers
- mailed 724,000 personal letters and cards that offer borrowers the choice to contact Countrywide, a HUD-approved housing agency or non-profit housing organization
- approximately 63,000 borrowers in some stage of a workout program
- successfully closed 5,709 workout programs
- employed 2,700 home retention specialists